

Message Text

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PAGE 01 STATE 064708

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ORIGIN EB-07

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TO USMISSION GENEVA PRIORITY

INFO AMEMBASSY BONN

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AMEMBASSY TOKYO

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PAGE 02 STATE 064708

E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT:GATT COUNCIL, MARCH 24

REFERENCES: (A) GENEVA 1681; (B) GENEVA 1686; (C) NEW DELHI
3705; (D) STATE 56879; (E) GENEVA 1780

THE US REP SHOULD BE GUIDED BY THE FOLLOWING INSTRUCTIONS
FOR MARCH 24 GATT COUNCIL MEETING:

1. EC-CANADA ARTICLE XXIV:6 SETTLEMENT (REF B). US REP
AUTHORIZED SUPPORT EC-CANADIAN REQUEST TO EXTEND ARTICLE
XXVIII:3 TIME LIMIT INDEFINITELY WITH RESPECT TO CEREALS
ITEMS. IF EC MAKES STATEMENT IN COUNCIL ALONG LINES OF
LETTER REPORTED TO HAVE BEEN SENT TO SECRETARIAT, NAMELY
THAT IT CONSIDERS ALL XXIV:6 DEBTS PAID, US REP SHOULD OF
COURSE REFER TO STATEMENT MADE IN JULY 19, 1974 COUNCIL
MEETING: US CONSIDERS THAT NEGOTIATIONS DID NOT ACHIEVE
SATISFACTORY RESULTS WITH RESPECT TO COMPENSATION FOR CON-
CESSIONS ON CEREALS AND ACCORDINGLY RESERVES ITS RIGHTS
TO RESUME NEGOTIATIONS WITH RESPECT TO SUCH PRODUCTS AND
ITS RIGHTS UNDER ARTICLE XXVIII.

2. INDIA WAIVER EXTENSION. WE AGREE THAT AUXILIARY DUTIES
ARE RELATIVELY INSIGNIFICANT IN CONTEXT OF INDIA'S HIGHLY
RESTRICTIVE NTB AND TARIFF STRUCTURE. HOWEVER, THEY ARE
ILLUSTRATIVE OF OVERALL PROBLEM WE FACE WITH RESPECT TO
INDIAN TRADE POLICY AND PROVIDE OPPORTUNITY TO PRESS GOI

ADHERENCE TO SPECIFIC GATT OBLIGATIONS AS WELL AS TO
BROADER OBJECTIVE OF ACHIEVING MORE RATIONAL TARIFF
STRUCTURE (SEE REFTEL C). US REP SHOULD THEREFORE, AS
IN PAST, CALL FOR CLEAR STATEMENT CONCERNING CIRCUMSTANCES
SURROUNDING NEED FOR CONTINUED IMPOSITION OF THESE AUXIL-
IARY DUTIES AND SEEK SOME INDICATION OF THEIR EXPECTED
DURATION.

3. AUSTRALIAN TARIFF QUOTAS ON TEXTILES.

(A) U.S. REP SHOULD NOT TAKE LEAD INTERVENTION ON THIS
ISSUE BUT ALLOW OTHERS MORE DIRECTLY AFFECTED BY MEASURES
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PAGE 03 STATE 064708

(E.G. JAPAN AND EC) TO TAKE INITIATIVE. US REP MAY SUPPORT
GENERAL NEGATIVE COMMENTS OF OTHERS, AND SHOULD OBSERVE
THAT PURPOSES OF MFA, AS WELL AS BROADER ACTIONS TO LIBER-
ALIZE WORLD TRADE NOW UNDERWAY IN MTN, ARE CLEARLY JEOPAR-
DIZED IF AUSTRALIAN ACTIONS -- NOT ONLY THOSE NOTIFIED
PER GENEVA'S 1826 BUT WHOLE GAMUT OF TEXTILE TQ'S --
BECOME TREND SETTERS FOR FUTURE TRADE BEHAVIOR IN THIS
MAJOR CATEGORY OF WORLD COMMERCE.

(B) RE QUESTION OF WHETHER US WISHES TO ACCEPT AUSTRALIAN OFFER TO CONSULT UNDER GATT ARTICLE XIX ON TWO ITEMS, US REP SHOULD REMAIN SILENT SINCE WE ARE MINOR SUPPLIER. OUR MAIN CONCERN IS TO ENSURE THAT GOA NOT USE ITS ARTICLE XIX NOTIFICATION AND OFFER TO CONSULT AS RATIONALE FOR OBJECTING TO DISCUSSION OF MEASURES IN TSB, WHERE EXPORTERS' CASE IS MUCH STRONGER UNDER MFA ARTICLE IX. AS WE UNDERSTAND IT, THERE IS POSSIBILITY THAT JAPAN AND/OR EC MAY TAKE ISSUE WITH GOA NOTIFICATION OF THESE ITEMS TO GATT, ARGUING THAT THEY AND OTHER RECENT TEXTILE ACTIONS ARE ALSO VIOLATIONS OF MFA ARTICLE IX, AND SHOULD THUS BE DISCUSSED IN TSB. (JURICH, NOW IN ORIENT, IS SEEKING TO ASCERTAIN GOJ INTENTIONS ON THEIR APPROACH, WHICH MAY BE CONVEYED TO JAPANESE DELEGATION IN TIME FOR GATT COUNCIL MEETING). IF JAPAN OR EC ADOPT THIS LINE, US REP SHOULD LET THEM TAKE LEAD, BUT SUPPORT THEIR POSITION. IF THEY DO NOT, US REP SHOULD THEN MAKE FIRM POINT THAT WE BELIEVE ALL AUSTRALIAN TEXTILE MEASURES, WHETHER ON ITEMS BOUND OR NOT, ARE PROPERLY AND INITIALLY WITHIN JURISDICTIONS OF TSB AND TEXTILES COMMITTEE, AND FALL WITHIN MEANING OF MFA ARTICLE IX(1).

4. REPORTS OF TEXTILES COMMITTEE AND TEXTILES SURVEILLANCE BODY. US REP MAY NOTE AS APPROPRIATE.

5. GATT/UNCTAD INTERNATIONAL TRADE CENTER: JOINT ADVISORY GROUP REPORT. US REP MAY NOTE REPORT.

6. US AUTO AGREEMENT AND US AGRICULTURAL WAIVER. ROUTINE ADOPTION ANTICIPATED; NO SPECIAL GUIDANCE NECESSARY.

7. AUSTRALIAN ARTICLE XIX ACTION ON STEEL SHEETS AND PLATE. LIMITED OFFICIAL USE

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PAGE 04 STATE 064708

ASSUMING MISSION SUCCEEDED IN INCLUDING THIS ITEM ON FORMAL AGENDA IT SHOULD MAKE BRIEF STATEMENT ALONG LINES SUGGESTED PARAGRAPH 10, REFTEL (A) AND ACCEPT OFFER TO CONSULT, PER REFTEL (D).

8. GENERAL AUSTRALIAN TRADE POLICY. GUIDANCE PROVIDED REFTEL (D).

9. PROPOSED BRITISH EXPORT INSURANCE PLAN. PER PARAGRAPH ONE REFTEL (D), US REP SHOULD RAISE THIS SUBJECT UNDER "OTHER BUSINESS", DRAWING ON THE FOLLOWING:

(A) THE UK GOVERNMENT HAS PROPOSED TO PARLIAMENT THE ESTABLISHMENT OF AN "INSURANCE" PLAN DESIGNED TO COMPENSATE BRITISH EXPORTERS OF CERTAIN "CAPITAL EQUIPMENT" TO

NON-EEC MARKETS FOR INCREASES IN THE COST OF PRODUCTION.

(B) IN OUR VIEW, THE SYSTEM AS CURRENTLY PROPOSED CONSTITUTES A "SUBSIDY...WHICH OPERATES DIRECTLY OR INDIRECTLY TO INCREASE EXPORTS...". THEREFORE, IF SUCH A PLAN IS PUT INTO OPERATION, WE BELIEVE IT SHOULD BE NOTIFIED TO THE GATT UNDER THE PROVISIONS OF ARTICLE XVI:1. WE HOPE HMG PLANS TO NOTIFY THE INSURANCE SYSTEM TO THE GATT WHEN AND IF IT IS PUT INTO OPERATION.

(C) OUR ANALYSIS INDICATES THAT, AS CURRENTLY PROPOSED, THE INSURANCE SYSTEM MAY RESULT "...IN THE SALE OF SUCH PRODUCT FOR EXPORT AT A PRICE LOWER THAN THE COMPARABLE PRICE CHARGED FOR THE LIKE PRODUCT TO BUYERS IN THE DOMESTIC MARKET". THUS, IF IMPLEMENTED, THE SYSTEM MAY CONTRAVENE ARTICLE XVI:4.

(D) THE US REALIZES THAT OTHER CP'S ALREADY HAVE SIMILAR SYSTEMS IN OPERATION. SINCE THE PROPOSED UK PLAN IS CURRENTLY BEING EXAMINED IN OECD TRADE COMMITTEE WORKING PARTY, AND BECAUSE WE EXPECT SUCH MEASURES TO BE TAKEN UP IN THE MTN, WE DO NOT BELIEVE A GATT EXAMINATION IS NECESSARY AT THIS TIME. HOWEVER, WE RESERVE OUR RIGHTS TO DEAL WITH THESE MEASURES IN THE GATT CONTEXT AT A LATER DATE. US REP MAY WISH TO REFER TO LONDON 2753 FOR AN EXPLANATION OF HOW SYSTEM IS TO OPERATE, AND TO SEPTTEL LIMITED OFFICIAL USE

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PAGE 05 STATE 064708

(ACTION OECD) SAME SUBJECT FOR FURTHER BACKGROUND.

10. MOROCCO AND TUNISIA. US REP MAY STATE FOR RECORD THAT US OBJECTIONS TO DISCRIMINATORY QUOTAS AND REVERSE PREFERENCES ARE WELL KNOWN. ALSO, WE ARE ENCOURAGED BY LOME CONVENTION TERMINATION OF SUCH OBLIGATIONS ON PART OF ACP DEVELOPING COUNTRIES. INGERSOLL

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